

## Message Text

CONFIDENTIAL

PAGE 01 LIMA 10703 191840Z

42

ACTION ARA-08

INFO OCT-01 ISO-00 SS-14 SP-02 L-01 EB-03 INR-05 ARAE-00

RSC-01 /035 W

----- 115710

P 191535Z DEC 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 3224

C O N F I D E N T I A L LIMA 10703

STADIS////////////////////////////////////

LIMDIS

EO 11652: GDS

TAGS: EFIN, ENRG, PE

SUBJECT: TRANS-ANDEAN PIPELINE PROJECT

REF: STATE 268575

1. SUMMARY: LENGTHY AND DETAILED DISCUSSIONS WITH KNOWLEDGEABLE OFFICIALS OF COFIDE AND PETROPERU INDICATE THAT EXIMBANK IS ENGAGED IN DISCUSSIONS WITH REPRESENTATIVES OF SCIENTIFIC SOFTWARE CORP. (SSC) AND HAS ALSO BEEN IN DIRECT CONTACT WITH PETROPERU. SOME CONFUSION EXISTS IN MINDS PERUVIAN OFFICIALS OVER WHETHER SSC ACCEPTABLE TO EXIM AS QUALIFIED CONSULTANT, BUT PETROPERU STATES THAT WHILE IT PREFERS SSC, IT WILLING TO CHOSE ANOTHER COMPANY IF EXIM SO INSISTS. FOLLOWING DECEMBER 4 CABLE FROM EXIM TO PETROPERU, PETROPERU NOW CONSIDERING SENDING TEAM TO WASHINGTON TO PRESENT IN DETAIL THE ADDITIONAL INFORMATION AND JUSTIFICATION REQUIRED BY EXIM AND TO DETERMINE WHETHER SSC IS ACCEPTABLE TO EXIM.

2. OFFICIAL STATES THAT WHILE TOP GOP OFFICIALS AWARE OF POTENTIAL EXIM PARTICIPATION, ONLY MINES MINISTER FERNANDO MALDONADO AND FOREIGN MINISTER DE LA FLOR HAVE BEEN FOLLOWING QUESTION CLOSELY. TECHNICAL LEVEL OFFICIALS  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 10703 191840Z

CIALS DO NOT BELIEVE THAT TOP POLICY-MAKERS HAVE REACHED

CONCLUSION THAT USG IS STALLING CREDIT, BUT DO WISH TO CLARIFY EXIM DESIRES ASAP. TECHNICAL LEVEL OFFICIALS VIEWS DO NOT, OF COURSE, NECESSARILY REFLECT PRESIDENT VELASCO'S POSITION AND WE HAVE REASON TO BELIEVE HE IS CONCERNED AT INABILITY SO FAR TO OBTAIN EXIM FINANCING. HIS CONCERN WOULD OF COURSE BE GREATLY INCREASED SHOULD EXIM AT SOME POINT ACTUALLY TURN DOWN LOAN, A STEP WHICH WOULD REFLECT SERIOUSLY ON PERUVIAN PETROLEUM POTENTIAL AND ON ONE OF KEY ECONOMIC HOPES FOR FINANCING THE "REVOLUTION". END SUMMARY

3. IN ORDER TO MAKE CLEAR TO DEPARTMENT CHRONOLOGY OF EVENTS IN THIS CASE DURING RECENT MONTHS, FOLLOWING ARE HIGHLIGHTS OF PRINCIPAL INTERCHANGES BETWEEN EXIM, PETROPERU, AND SSC SINCE RECEIPT BY FOFIDE AND PETROPERU OF EXIM'S CABLE OF OCTOBER 3.

A. OCTOBER 17 - MINES MINISTER FERNANDEZ MALDONADO ORDERED PETROPERU PRESIDENT FERNANDEZ BACA TO "CONTRACT WITH A RECOGNIZED CONSULTING FIRM WITH TECHNICAL EXPERTISE KNOWN TO ESTABLISHED FINANCIAL INSTITUTIONS AND ESPECIALLY ACCEPTABLE TO EXIM, IN ORDER IT PREPARE A STUDY EVALUATING PETROLEUM RESERVES..."

B. LATE OCTOBER - SSC COMMUNICATED WITH EXIMBANK-MESSRS. CHARLES HOUSTON AND CARL CASS (CHIEF ENGINEER)--CONCERNING A REVIEW OF SSC CAPABILITY AS A CONSULTANT BEFORE EXIM.

C. EARLY NOVEMBER - SSC REPRESENTATIVES MEET WITH MR. RUTLEDGE AND MR. DOUGHTY OF EXIM TO DISCUSS PRECISE REQUIREMENTS FOR LOAN PROCESSING, AND SSC ALSO SUGGESTED THAT PETROPERU, SSC AND EXIM MEET IN WASHINGTON. ACCORDING TO SSC CABLE, COPY OF WHICH EMBASSY HAS OBTAINED, MR. DOUGHTY REVIEWED SSC CONSULTING QUALIFICATIONS AND STATED THAT THEY WERE FULLY ACCEPTABLE BUT INDICATED THAT EXIM WOULD REQUIRE ADDITIONAL INFORMATION AND ECONOMIC JUSTIFICATION TO DETERMINE THE COMPLETE FEASIBILITY OF THE PROJECT. SPECIFICALLY, SSC REPORTED TO PETROPERU THAT THE FOLLOWING ADDITIONAL INFORMATION WAS REQUIRED:  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LIMA 10703 191840Z

QUOTE:

1) CALCULATED FUTURE ANNUAL PRODUCTION RATES FROM ALL FIELDS THE PRODUCTION OF WHICH WILL BE USED TO AMORTIZE THE LOAN FROM EXIM BANK;

2) OPERATING COSTS OF FIELDS;

3) DEVELOPMENT COSTS OF FIELDS;

4) PIPELINE COST;

5) PIPELINE OPERATING COSTS. END QUOTE

D. DECEMBER - - VICE PRESIDENT GLICK OF EXIM  
SENT A CABLE TO ING. FERNANDO ZUNIGA, CHIEF OF EXPLORATION OF PETROPERU, NOTING THAT ADDITIONAL INFORMATION WAS REQUIRED AND THAT WHILE EXIM WAS PREPARED TO GIVE FURTHER CONSIDERATION TO PETROPERU'S FINANCING REQUEST "CONSIDERATION WOULD DEPEND ON YOUR FURNISHING US PROMPTLY SUCH ADDITIONAL INFORMATION AND DATA AS YOU BELIEVE WILL ESTABLISH CONCLUSIVELY THE TECHNICAL AND FINANCIAL FEASIBILITY OF THE PIPELINE PROJECT. TO THIS END YOU MAY WISH TO ENGAGE THE SERVICES OF A CONSULTING COMPANY EXPERIENCED IN THE PIPELINE PROJECT." CABLE THEN REQUESTED SPECIFIC INFORMATION, INCLUDING PROVEN RESERVES, PRESENT AND FUTURE RATES OF PRODUCTION, DEVELOPMENT COSTS, CONSTRUCTION COSTS, ANCILLARY FACILITIES COSTS, AND OPERATING AND MAINTENANCE COSTS AS WELL AS COMPLETE PLAN FOR FINANCING PIPELINE PROJECT AND PROPOSED SOURCES OF REQUIRED FINANCING, INCLUDING TERMS.

4. COFIDE OFFICIALS TOLD EMBASSY OFFICER THAT PETROPERU WAS RELUCTANT TO ENGAGE A FIRM OTHER THAN SSC UNLESS IT CLEAR THAT LATTER NOT ACCEPTABLE SINCE A NEW CONTRACT NEGOTIATION WOULD BE MORE COSTLY AND ALSO BE TIME-CONSUMING. EXIM, ACCORDING TO ZUNIGA, HAS NEVER REJECTED SSC AS PREFERRED CONSULTANT, AND ZUNIGA NOW PLANNING (PROBABLY WITH COFIDE AND SSC COLLEAGUES) TO GO TO WASHINGTON AS SOON AS POSSIBLE AFTER HOLIDAYS TO DISCUSS ALL THE PARTICULARS  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 LIMA 10703 191840Z

OF CASE WITH EXIM.

6. COMMENT: PETROPERU CLEARLY FAVORS SSC AS CONSULTANT, BUT HAS ALSO HAD DOUBTS WHETHER SSC WORK WOULD BE ACCEPTABLE TO EXIM. THIS PROBABLY ACCOUNTS FOR CONSIDERABLE DELAY IN ACTUALLY SIGNING A CONTRACT WITH SSC. PETROPERU INACTION MAY ALSO BE DUE (ASIDE FROM GENERAL BUREAUCRATIC INERTIA) TO VARYING SIGNALS IT RECEIVED BOTH DIRECTLY FROM EXIM AND VIA SSC ABOUT EXACT NATURE OF INFORMATION REQUIRED. IN ANY CASE, BOTH COFIDE AND PETROPERU OFFICIALS STRESSED TIME AND AGAIN THAT EXIM FINANCING IS DESIRED AND THAT A MEETING BETWEEN PRINCIPALS IN WASHINGTON SHOULD BE ARRANGED PROMPTLY. ZUNIGA PLANS REPLY TO DECEMBER 4 TELEGRAM SUGGESTING MEETING EARLY JANUARY AS SOON AS HE RECEIVES

AUTHORIZATION FROM HIS SUPERIORS IN PETROPERU.

7. WITH REGARD TO LARGER ISSUE OF GOP VIEWS OF EXIM, LITTLE IF ANY OF FOREGOING DETAIL IS PROBABLY KNOWN TO VELASCO, AND ONLY GENERAL OUTLINES ARE PROBABLY KNOWN TO FERNANDEZ MALDONADO AND FOREIGN MINISTER DE LA FLOR. FACT IS THAT WHATEVER THE ACTUAL REASONS FOR DELAY, SHOULD DELAY CONTINUE MUCH LONGER, AND OR SHOULD EXIM DECIDE TO REJECT LOAN BECAUSE IT NOT ECONOMICALLY FEASIBLE, IT IS A VIRTUAL CERTAINTY THAT US/PERUVIAN RELATIONS WOULD SUFFER SINCE TOP GOP LEADERSHIP WOULD PROBABLY BE CONVINCED THAT WE HAD REJECTED FINANCING ON GROUNDS OTHER THAN ECONOMIC FEASIBILITY IN WHAT THEY DEEM TO BE KEY SECTOR OF THEIR ECONOMY UPON WHICH THEY BASE CONSIDERABLE EXPECTATIONS.  
BARNEBEY

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONSTRUCTION, REPORTS, PETROLEUM PIPELINES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 DEC 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** elyme  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974LIMA10703  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740369-0927  
**From:** LIMA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19741223/aaaaateo.tel  
**Line Count:** 185  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** STADIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** STADIS  
**Reference:** 74 STATE 268575  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** elyme  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 SEP 2002 by WorrelSW>; APPROVED <18 MAR 2003 by elyme>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TRANS-ANDEAN PIPELINE PROJECT  
**TAGS:** EFIN, ENRG, EMIN, PE, SCIENTIFIC SOFTWARE CORP, PETROPERU, XMB  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005